

## Message Text

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ACTION EUR-12

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NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-04 COME-00 OMB-01 /065 W

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R 111600Z NOV 74

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 0497

C O N F I D E N T I A L NICOSIA 3980

E. O. 11652: GDS

TAGS: PINT, ENIV, TU, CY, US

SUBJECT: TURK CYPRIOT REQUIREMENT FOR REGISTRATION OF FOREIGN

COMPANIES: CASE OF CYPRUS MINES CORPORATION (CMC)

REF: A. NICOSIA 3478 B. STATE 236127 C. NICOSIA 3584

1. ON OCTOBER 9, TURKISH EMBASSY COUNSELOR KARACA INFORMED DCM THAT REPRESENTATIVES OF TURKISH AZOT COMPANY WERE IN NICOSIA TO DISCUSS WITH CMC WAYS OF CONTINUING SHIPMENTS OF PYRITE ORE FROM CMC'S KARAVOSTASI STOCKPILE TO TURKEY. KARACA SAID THAT GOT WISHED TO FACILITATE TRANSACTION AND WOULD EVEN OPEN ACCOUNT IN ANKARA FOR DEPOSIT OF AZOT PAYMENTS TO CMC. IN ADDITION, CMC PERSONNEL AND THEIR PROPERTY WERE TO BE AFFORDED SPECIAL TREATMENT AND COURTESIES. (COMMENT: SEVERAL WEEKS AGO, CMC HAD VOICED FEAR THAT TURKS WOULD TAKE OVER HOMES IN KARAVOSTASI AREA AND MAKE TRAVEL TO AND FROM TURK-CONTROLLED AREA DIFFICULT. END COMMENT.) IN RETURN, KARACA SAID, GOT THOUGHT THAT CMC COULD SEE ITS WAY CLEAR TO CONTINUE PYRITE SHIPMENTS IN SUCH A MANNER THAT GOC WOULD BE ABLE TO "TURN A BLIND EYE IN VIEW OF PRESENT FACTS OF LIFE ON CYPRUS."

2. DCM POINTED OUT THAT DEPOSIT OF MONEY IN ANKARA, CONTRARY TO HELPING CMC'S POSITION WOULD INDEED WORSEN IT, SINCE THIS WOULD DEPRIVE GOC OF FOREIGN EXCHANGE. FROM GOC'S POINT OF VIEW, THIS HAD BEEN SOLE BENEFIT OF ORE EXPORTS, AND A MARGINAL ONE AT  
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THAT. FURTHER, GOC DECREE (OCTOBER 4) THAT KARAVOSTASI ILLEGAL

EXIT PORT REMAINED IN FORCE. POLITICAL DISADVANTAGE OF PERMITTING COMPANY REGISTERED WITH GOC TO DO BUSINESS THROUGH PROHIBITED PORT WAS A MAJOR FACTOR. AS FAR AS "BLIND EYE" APPROACH CONCERNED, JUST FEW HOURS PREVIOUSLY MINISTRY OF FINANCE AND ECONOMY, AUTONOMOUS TURKISH CYPRIOT ADMINISTRATION (ATA) HAD RETURNED TO EMBASSY THE DOCUMENTS WHICH CMC HAD PROVIDED ATA INFORMALLY (THROUGH EMBASSY GOOD OFFICES). ATA HAD REQUESTED THAT NEW FORM BEARING ATA LETTERHEAD BE FILLED OUT AND SIGNED BY CMC IN ORDER COMPLY FULLY WITH REGISTRY REQUIREMENT. TO DEMAND NOW THAT REGISTRY BE CARRIED OUT BY CMC IN MANNER SURE TO ANTAGONIZE GOC WAS, DCM NOTED, NOT EXACTLY "TURNING A BLIND EYE" TO FACTS OF LIFE ON GREEK SIDE OF LINE. SUCH ACTION WOULD SURELY JEOPARDIZE CMC'S STATUS WITH GOC.

3. KARACA SOMEWHAT CHAGRINED TO HEAR OF ATA MOVE, APPARENTLY FOR FIRST TIME, AND ADMITTED THERE MIGHT BE CONTRADICTION BETWEEN WHAT HE WAS ASKING AND ATA'S ACTION. HE EXPRESSED HOPE THAT CMC WOULD NONETHELESS VIEW PROPOSAL FOR CONTINUED BUSINESS TRANSACTIONS WITH AZOT IN POSITIVE LIGHT. TO THIS END KARACA SUGGESTED THAT EMBASSY MIGHT TAKE MATTER UP WITH GOC AND ARRANGE FOR CMC TO BE ALLOWED TO GO AHEAD WITH AZOT DEAL "UNOFFICIALLY" WITHOUT PREJUDICE. POLITICAL REALITIES DICTATED THAT GOC, NOT TURK SIDE, SHOULD HAVE TO MAKE ADJUSTMENT. DCM REPLIED THAT THIS SUGGESTION WOULD BE EXAMINED.

4. WE HAVE MADE NO COMMITMENT TO TAKE UP CMC'S CASE WITH GOC IN MANNER PROPOSED BY TURKISH EMBASSY. WE WILL BE DISCUSSING QUESTION WITH CMC MANAGER IN NEAR FUTURE. OUR STRONG INCLINATION IS ENCOURAGE CMC MAKE ITS OWN DECISION AND ACCOMMODATIONS ALTHOUGH WE WOULD CONSIDER BEING HELPFUL IN WHATEVER WAY COMPANY MIGHT ASK.  
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